



City of NORFOLK

C: Dir., Office of Budget & Strategic Planning

To the Honorable Council
City of Norfolk, Virginia

January 27, 2015

From: Betty Meyer, Acting Director of Budget &
Strategic Planning

Subject: Hampton Roads Regional Jail
Operating Reserve Resolution

Reviewed: Sabrina Joy Hogg
Sabrina Joy-Hogg, Deputy City Manager

Ward/Superward: Citywide

Approved: Marcus D. Jones
Marcus D. Jones, City Manager

Item Number: R-4

I. **Recommendation:** Adopt resolution

II. **Applicant:** City of Norfolk

III. **Description**

The Hampton Roads Regional Jail Authority (the Authority) is comprised of five member cities: Norfolk, Chesapeake, Hampton, Newport News, and Portsmouth. The Authority by-laws require approval from each of the five member city councils for amendments to the Hampton Roads Regional Jail service agreement. This resolution authorizes a restructuring of the Authority's operating reserves to more accurately reflect the use of funds, and to adequately provide for reserves while increasing flexibility in replenishment of the reserves. This resolution was recommended for council consideration by the Hampton Roads Regional Jail Authority Board on December 17, 2014.

IV. **Analysis**

The Authority adjusted requirements for the operating reserve in January 2014 to address immediate financial needs. Subsequent to that change, the Authority reviewed all reserves and found that the operating reserve, and the repair and replacement reserve were higher than needed. The general fund reserve had no established requirement.

The proposed changes to the reserves and the amount of change is summarized in Table 1. Overall, the changes will transfer funds between reserves to reflect need and will establish total reserves at approximately \$151,000 more than current levels. A goal was set to fully fund the reserves in FY 2016. However, the Board agreed this would be tempered by the parameters already established for development of the FY 2016 operating budget. These parameters included no per diem increase for the City of Norfolk.

Table 1

Reserve Balances, Required and Available					
Debt Service	Maximum annual debt service	\$3,914,858	Maximum annual debt service	\$3,914,858	\$0
Operating	1/6 th of annual budget less debt service	\$5,463,111	1/12 th of annual budget less debt service	\$2,763,104	(\$2,700,007)
Repair & Replacement	\$100,000	\$1,768,182	\$500,000	\$500,000	(\$1,268,182)
General	None	\$1,407,240	1/6 th of annual budget	\$5,526,209	\$4,118,969
TOTAL RESERVES		<u>\$12,553,391</u>		<u>\$12,704,171</u>	<u>\$150,780</u>
Balances for 6/30/2014 Repair & Replacement, and Operating reserves are higher than proposed requirement. Excess will be transferred to General Reserve.					

V. Financial Impact

There is no anticipated financial impact for the city due to the proposed changes to reserves.

VI. Environmental

N/A

VII. Community Outreach/Notification

Public notification for this item was conducted through the City of Norfolk's agenda notification process.

VIII. Board/Commission Action

N/A

IX. Coordination/Outreach

This letter has been coordinated with the Office of Budget and Strategic Planning and the City Attorney's Office.

1/9/15mr

Form and Correctness Approved:

By

Office of the City Attorney

Contents Approved:

By

DEPT.

NORFOLK, VIRGINIA

RESOLUTION

A RESOLUTION APPROVING AN AMENDMENT TO THE
SERVICE AGREEMENT RELATING TO THE HAMPTON
ROADS REGIONAL JAIL AUTHORITY.

- - -

WHEREAS, the Cities of Hampton, Newport News, Norfolk and Portsmouth, Virginia (the "Initial Member Cities") provided for the creation of the Hampton Roads Regional Jail Authority (the "Authority") by agreement (the "Agreement") approved effective December 14, 1993; and

WHEREAS, the Initial Member Cities and the Authority entered into a service agreement (the "Service Agreement") effective December 1, 1995, setting forth certain rights and obligations of the Initial Member Cities and the Authority with respect to the construction, use and operation of the Hampton Roads Regional Jail; and

WHEREAS, the City of Chesapeake, Virginia was admitted as a member of the Authority and approved and became a party to the Service Agreement in 2014; and

WHEREAS, Section 4.3 of the Service Agreement contains certain provisions related to the reserve funds to be maintained by the Authority; and

WHEREAS, on the recommendation of its staff and financial advisor and after analysis of those provisions, the Authority desires to restructure and amend Section 4.3 of the Service Agreement to more accurately represent the utilization of Authority funds and to provide the Authority with reserve funds adequate for its needs and flexibility in the use and replenishment of those reserves; and

WHEREAS, Section 9.5 of the Service Agreement provides that it may be amended only with the consent of the Authority and the governing body of each of its member jurisdictions, and the Authority approved the proposed amendment to the Service Agreement at its meeting the 17th day of December, 2014;

WHEREAS, for the reasons and purposes stated above, the City of Norfolk also now desires to approve the amendment of Section 4.3 of the Service Agreement; now, therefore

BE IT RESOLVED by the Council of the City of Norfolk:

Section 1:- That it hereby approves, and authorizes and directs the City Manager to execute and the City Clerk to attest, on behalf of the City of Norfolk, Virginia, that certain Amendment to the Service Agreement of the Hampton Roads Regional Jail Authority among the Hampton Roads Regional Jail Authority and the Cities of Chesapeake, Hampton, Newport News, Norfolk, and Portsmouth, a copy of which is attached hereto and made a part hereof.

Section 2:- That this resolution shall be in effect from and after the date of its adoption.

AMENDMENT TO THE SERVICE AGREEMENT OF THE HAMPTON ROADS REGIONAL JAIL AUTHORITY

THIS AMENDMENT to the Service Agreement of the Hampton Roads Regional Jail Authority, originally effective December 1, 1995 and as later amended and amended and restated, (the "Service Agreement") is made by and among the Hampton Roads Regional Jail Authority and the Cities of Chesapeake, Hampton, Newport News, Norfolk and Portsmouth, Virginia, pursuant to and upon approval by the governing bodies of each of the parties hereto.

RECITALS

1. Pursuant to Article 3.1, Title 53.1 of the Code of Virginia, the City of Hampton, the City of Newport News, the City of Norfolk, and the City of Portsmouth (collectively, the "Initial Member Jurisdictions") entered into an Agreement for Creation of the Hampton Roads Regional Jail Authority dated as of December 14, 1993 (the "Creation Agreement") for the purpose of setting forth their basic arrangement for developing, constructing and equipping a regional jail facility that was built and is now operated by the Authority in the city of Portsmouth.
2. The Initial Member Jurisdictions and the Authority determined that it was desirable to enter into an agreement governing the provision of services by the Authority to the Initial Member Jurisdictions and that agreement was made effective December 1, 1995, and later amended in accordance with its terms (the "Service Agreement").
3. Upon approval by the Authority and the Initial Members, the City of Chesapeake, Virginia, was admitted as member of the Authority, pursuant to the amendment and restatement of the Creation Agreement and the Service Agreement, and the amendment of the bylaws of the Authority. Chesapeake, Hampton, Newport News, Norfolk, and Portsmouth are now the members of the Authority ("Member Jurisdictions").
4. Section 9.5 of the Service Agreement provides that the Service Agreement may be amended with the consent of the Authority and the governing body of each jurisdiction then a member of the Authority.
6. Section 4.3 of the Service Agreement contains provisions related to the reserve funds to be maintained by the Authority. After analysis of those provisions, the Authority desires to restructure and amend Section 4.3 of the Service Agreement to more accurately represent the utilization of Authority funds and to provide the Authority with reserve funds adequate for its needs and flexibility in the use and replenishment of those reserves.

NOW THEREFORE, it is agreed that the Service Agreement of the Hampton Roads Regional Jail Authority originally made effective the 1st day of December, 1995, as later amended and restated, is hereby further amended by restating in its entirety section 4.3 thereof, as follows:

Section 4.3. Reserve Funds.

(a) Operating Reserve Fund. The Authority shall maintain an Operating Reserve Fund in an amount not less than one-twelfth (1/12) of the expenditures, excluding debt service, in each year's Annual Budget. The Operating Reserve Fund shall be used to cover periods of revenue shortfall when the Authority's revenues are not sufficient to cover its Net Operating Expenses.

(b) General Reserve Fund. The Authority shall maintain a General Reserve Fund. The amount to be maintained in the General Reserve Fund shall be determined from time to time by the Authority, but it is the Authority's intent to maintain in that fund not less than one-sixth (1/6) of the expenditures, excluding debt service, in each year's Annual Budget. It is the Authority's goal to provide that level of funding in fiscal year 2016 and thereafter. The General Reserve Fund shall be used to pay current expenses in anticipation of revenue from member jurisdictions or other sources. Amounts in the General Reserve Fund shall be utilized prior to any withdrawals from the Operating Reserve Fund.

(c) Repair and Replacement Reserve Fund. The Authority shall maintain a Repair and Replacement Reserve Fund in such amount as it may approve. Amounts in the Repair and Replacement Reserve Fund may be utilized for unexpected repairs to and/or the replacement of capital items. In determining amounts to be maintained in the fund, the Authority shall take into consideration the age and condition of the Jail.

This Amendment shall be effective upon its approval and adoption by the Board of the Hampton Roads Regional Jail Authority and the Councils of all of the Cities of Chesapeake, Hampton, Newport News, Norfolk and Portsmouth, Virginia, and the execution of this Amendment on their behalf. This Amendment may be executed in any number of counterparts, which when taken together shall constitute one complete document.

IN WITNESS WHEREOF, the Hampton Roads Regional Jail Authority and the Councils of the Cities of Chesapeake, Hampton, Newport News, Norfolk and Portsmouth, Virginia have caused this Amendment to be executed on their behalf.

HAMPTON ROADS REGIONAL JAIL AUTHORITY

Date

By: _____
Chairman

CITY OF CHESAPEAKE

Date

By: _____
City Manager

CITY OF HAMPTON

Date

By: _____
City Manager

CITY OF NEWPORT NEWS

Date

By: _____
City Manager

CITY OF NORFOLK

Date

By: _____
City Manager

CITY OF PORTSMOUTH

Date

By: _____
City Manager

ATTEST:

City Clerk

CONTENTS APPROVED:

Name: _____
Title: _____

APPROVED AS TO FORM AND CORRECTNESS:

Michelle G. Foy
Assistant City Attorney